

May 17, 2021



MediPharm Reports First Quarter 2021 Results, Provides Strategic Update

BARRIE, Ontario, May 17, 2021 (GLOBE NEWSWIRE) -- MediPharm Labs Corp. (TSX: LABS) (OTCQX: MEDIF) (FSE: MLZ) ("MediPharm" or the "Company") a global leader in specialized, research-driven cannabis extraction, distillation and derivative products today announced its financial results for the three months ended March 31, 2021, a period of ongoing progress in establishing itself as an international pharmaceutical company, specializing in cannabis.

First Quarter Overview

"We commenced 2021 focused on establishing our presence as a pharmaceutical company while ramping up and significantly growing our international sales," said Keith Strachan, President and Interim CEO, MediPharm. "We achieved several important milestones including initial sales of GMP-certified medical cannabis products in Germany under our long-term partnership agreement with STADA Arzneimittel AG, a market leader in consumer healthcare and generics, and our first medical cannabis exports to Peru. Demand signals for our MediPharm cannabis oils were strong across all distribution channels in Canada. We made strong progress actively managing our cost structure which led to a 30% expense reduction, and we remain focused on returning to profitability."

"Looking ahead, the foundation for sustainable, long-term growth in the multibillion-dollar global pharmaceutical, medical and wellness market is taking shape with exciting international and domestic sales agreements creating tangible momentum for future quarters. Our focus remains on execution."

Q1 2021 Key Highlights

Established Global Pharmaceutical Strategy including the U.S.

- Highly regulated traditional and established pharmaceutical channels have no borders. During the first quarter, and into the balance of 2021, MediPharm expanded its licenses, global regulatory authorizations, and product filings with health authorities to allow for future sales into these channels. These channels are focused on larger patient markets that lack a defined federal cannabis framework, including the United States
- Patient demand for cannabis as a medical solution has increased around the world. Research advancements and big pharmaceutical participation will fill this need with traditional pharmaceutical drugs. These pharmaceutical companies are MediPharm's

current and future customers

Expansion Underway in Germany, Leveraging Australian GMP Platform

- Achieved first sales to STADA with additional medical cannabis products to launch in Q2 2021
- Strengthened position as a recognized global leader in medical cannabis production with approval by the Australian Therapeutic Goods Administration to export cannabis oil products to white-label partners in Germany, one of the world's most heavily regulated markets

Officially Entered Latin American Medical and Wellness Markets

- Delivered first shipments of premium, high-THC medical cannabis to Cann Farm Peru S.A.C., marking MediPharm's official entry into Latin America with additional sales expected to follow to other countries in the region pending final import/export permits

Extended Footprint to Nine Countries with Exports Expected to Ramp Up in 2021

- Established an agreement with Malta-based Pharma MT to supply premium, GMP certified, finished dose cannabis oil for patients and with it, expanded global customer base for turn-key manufacturing and distribution services to nine countries with exports expected to ramp up this year
- Forged a three-year supply agreement for specially formulated CBD and THC cannabis oil products with Cannim Australia Pty Ltd., expanding committed global customer base

Scales Canadian Presence with High-Demand New Products, Expanded Distribution

- Added to innovative, pharma-quality family of branded products with the retail introduction of *CBD 100 Ultra Formula Oil*, *THC30 Plus Formula Oil* and *CBN1:2 Nighttime Formula*, the Company's first cannabinoid cannabiniol (CBN) rich formula which sold out in Ontario in its first few weeks of sales
- Increased new listings and products with the Ontario Cannabis Store and expanded distribution to new retailers as part of MediPharm's goal of becoming a one-stop-shop for retailers and distributors across Canada

Balance Sheet Stability Supports Strategic Execution

- Cash and cash equivalents totaled \$42.1 million at March 31, 2021 and the cash balance outstanding under the convertible notes less than \$3.9 million, providing balance sheet strength to support of the Company's long-term growth strategy

Cost Containment

- Achieved over \$1.5 million in cost savings in Q1 due to resulting from actions taken in Q3 and Q4 2020 as well as ongoing company-wide cost reduction and disciplined cost containment measures implemented, on track to achieve \$3.6 million in annualized cost savings

Q1 Reflects Progress with International and Finished Product Sales Growth

- International sales increased \$1.8 million over Q4 2020 to \$2.1 million in Q1 2021
- Challenging operating conditions in domestic Canadian retail channels and reduced purchasing measures undertaken by the provincial inventory management, due to the pandemic, resulted in lower volumes and a \$2.3 million, or 40% decrease in revenue from Q4 2020 to \$3.4 million in Q1 2021
- In total, revenue was \$5.5 million, a 9% decrease from Q4 2020, but with a stronger mix of revenue international which offset a decrease to Canadian domestic revenue

Financial Results Summary Table

	Three-	Three-months ended			
	months	December	September	June	March
	ended	31, 2020	30, 2020	30, 2020	31, 2020
	March				
	31, 2021	31, 2020	30, 2020	30, 2020	31, 2020
	\$'000s	\$'000s	\$'000s	\$'000s	\$'000s
Revenue	5,495	6,058	4,947	13,918	11,089
Gross profit	(680)	(24,720)	(10,588)	2,212	(10,882)
<i>Gross margin %</i>	(12%)	(408%)	(214%)	16%	(98%)
Net income/(loss) before tax	(13,867)	(30,874)	(15,422)	(3,775)	(22,029)
Adjusted EBITDA	(6,159)	(8,767)	(7,262)	(2,180)	(5,657)
<i>Adjusted EBITDA margin %</i>	(112%)	(145%)	(147%)	(16%)	(51%)

(1) *Adjusted EBITDA is a non-IFRS measure. See Non-IFRS Measures section of this news release.*

Q1 FINANCIAL RESULTS COMMENTARY AND NEAR-TERM OUTLOOK

“As expected, Q1 was a cross-over period to our future state as the preferred global cannabis API provider to medical and wellness markets,” said Greg Hunter, CFO. “As such, we were pleased to see a substantial increase in international volumes and revenue which helped to offset challenging operating conditions in domestic Canadian retail channels.”

“As a multi-country operator, with unique pharmaceutical licences and high-demand formulations, we are making the investments necessary to drive future growth and expand our international sales while managing our cost base. To maximize opportunities and market share in Canada, we successfully expanded retail distribution and achieved several new listings for our recently launched formulations.

- Gross profit of (\$0.68) million and gross margin of (12%) in Q1 2021 improved over Q4 2020 because Q4 2020 was impacted by write down of non-current deposits, increased depreciation expense and inventory write down to net realizable value. Q1 2021 margins were negative primarily due to lower production volumes and inventory sold during the quarter was being held at net realizable value. There were no write-

downs in the first quarter of 2021

- Q1 2021 Adjusted EBITDA⁽¹⁾ of (\$6.2 million) in Q1 2021 improved \$2.6 million over Q4 2020 due to improved gross margin and reduced operational expenses
- Net loss of \$0.07 per share also compares favourably with the past two quarters (Q4 2020 net loss of \$0.21 per share, Q3 2020 net loss \$0.11 per share) reflecting the absence of inventory adjustments, fixed asset impairments and restructuring expense, as well as tighter expense controls

Going forward, the Company expects finished product sales to continue to improve and sales to international pharmaceutical, medical and wellness markets to build over time according to planned customer ramp up schedules. Management will remain disciplined in managing expenses and deploying the balance sheet while expanding the Company's product portfolio and international sales agreements.

Looking Ahead - Strategic Progress Update

To become the dominant player in the emerging global pharmaceutical, medical and wellness cannabis market – which represents a more sustainable and profitable revenue - MediPharm has made significant headway on its key priorities and is now fundamentally better positioned than ever to establish itself as a leading global pharmaceutical company, specializing in cannabis.

GMP Platform to Serve Pharmaceutical Industry - The Company is executing on its established platform, purpose built to pharmaceutical Good Manufacturing Practices specifications (achieved with the awards of GMP certifications for its Canadian and Australian operations in 2019 and 2020 respectively) to serve pharmaceutical customers in multiple countries as a manufacturer of Active Pharmaceutical Ingredients derived from cannabis and medicinal cannabis finished dose products.

Licensing and Regulatory Progress - MediPharm has secured licences globally to pioneer multiple regulatory pathways and access new markets, and possibly up to 50 countries as cannabis legalization takes hold over time. Over the past three years, the Company has built an industry-leading and expanding portfolio of licenses – including a Cannabis Drug Licence from Health Canada in Q1 2021 that is required for the production of pharmaceutical prescription drugs with a Drug Identification Number. This supports the participation in IP-capable clinical trials and partnerships with other pharmaceutical companies.

Growing International Sales - The Company expects international sales to accelerate as strong progress has been made with at least 30 sales agreements in place in nine countries. International revenues reflect sales to customers in only three countries thus far. European revenue, one of the fastest growing cannabis markets, saw first revenues in Q1 2021 with only two German partners. As stated in the past, the early years in international pharmaceutical contracts are lean, but sales will grow steadily through 2021 and expand exponentially over time.

Canadian Market as an Incubator for Innovative Products - MediPharm continues to produce innovative formulations and brands for multiple customers globally, which is expected to support future revenue growth. The Company achieved strong progress with the launch of an initial suite of MediPharm branded formulations in various formats and delivery methods as an alternative to selling bulk-formulated oils.

Cost Containment and Return to Profitability - The Company continues to focus on returning to profitability through building sustainable revenue growth led internationally and improving efficiency through new cost controls instilled by a new CFO. These will reduce capital expenditures, cut operating costs, and improve product and service margins.

CEO Search

The Company's Board of Directors previously appointed a special committee to lead the search for a permanent CEO. Following its engagement with global search firm Korn Ferry, the search committee has identified several strong candidates and interviews are well underway.

Q1 2021 FINANCIAL RESULTS CONFERENCE CALL

MediPharm executive management team will host a conference call and audio webcast to discuss the results and outlook for the three-month period ended March 31, 2021 on Monday, May 17, 2021, at 8:30 a.m. eastern time.

Audio Conference Call Dial in Details:

Date: May 17, 2021

Time: 8:30 a.m. eastern time

Dial In: Toll-free number: +1-833-502-0471 / International number: +1-236-714-2179

Conference ID: 5847315

Audio Webcast: [WEBCAST](https://ir.medipharmlabs.com/news-events) or <https://ir.medipharmlabs.com/news-events> in the Events section

Replay: +1-800-585-8367/ International +1-416-621-4642 Conference ID: 5847315 until May 24, 2021 11:59 p.m. eastern time

NON-IFRS MEASURES

Adjusted EBITDA is not a recognized performance measure under IFRS, does not have a standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Adjusted EBITDA is included as a supplemental disclosure because Management believes that such measurement provides a better assessment of the Company's operations on a continuing basis by eliminating certain non-cash charges and charges or gains that are non-recurring. Adjusted EBITDA is defined as net loss excluding interest, taxes, depreciation and amortization expense, interest income and expense, finance fees, gain in revaluation of derivative liabilities, taxes, impairment losses on inventory, write down of deposits and share-based compensation. Adjusted EBITDA has limitations as an analytical tool as it does not include depreciation and amortization expense, interest income and expense, taxes, share-based compensation and transaction fees. Because of these limitations, Adjusted EBITDA should not be considered as the sole measure of the Company's performance and should not be considered in isolation from, or as a substitute for, analysis of the Company's results as reported under IFRS. The most directly comparable measure to Adjusted EBITDA calculated in accordance with IFRS is operating income (loss). The above is a reconciliation of the Company's operating loss to Adjusted EBITDA. See "Reconciliation of non-IFRS measures" in the Company's

Management's Discussion and Analysis for the period ended March 31, 2021 for additional information.

About MediPharm

Founded in 2015, MediPharm specializes in the production of purified, pharmaceutical-quality cannabis oil and concentrates and advanced derivative products utilizing a Good Manufacturing Practices certified facility with ISO standard-built clean rooms. MediPharm has invested in an expert, research-driven team, state-of-the-art technology, downstream purification methodologies and purpose-built facilities with five primary extraction lines for delivery of pure, trusted and precision-dosed cannabis products for its customers. Through its wholesale and white label platforms, MediPharm formulates, develops (including through sensory testing), processes, packages and distributes cannabis extracts and advanced cannabinoid-based products to domestic and international markets. As a global leader, MediPharm has completed commercial exports to Australia and has fully commercialized its wholly-owned Australian extraction facility. MediPharm Australia was established in 2017.

For further information, please contact:

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION:

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward-looking statements relate to, among other things, statements regarding: the Company establishing itself as an international pharmaceutical company; ramping up and significantly growing international sales; returning to profitability; strong demand signals for MediPharm cannabis oils; sustainable, long-term growth; sales momentum for future quarters; future sales into pharmaceutical channels, including into the United States; research advancements and big pharmaceutical participation in the cannabis industry; future pharmaceutical company customers; additional medical cannabis products launching in Q2 2021; additional sales following to other countries in Latin America; pending final import/export permits; exports ramping up in 2021; expanding global customer base; becoming a one-stop-shop for retailers and distributors across Canada; long-term growth strategy; achieving \$3.6 million in annualized cost savings; making the investments necessary to drive future growth while managing all expenses; recent trends in finished product sales continuing; sales to international pharmaceutical, medical and wellness markets building over time and in accordance with planned ramp up schedules; expanding

the Company's product portfolio and international sales agreements; serving pharmaceutical customers in multiple countries; participation in IP-capable clinical trials and partnerships with other pharmaceutical companies; international sales accelerating; future revenue growth; returning to profitability; and building sustainable revenues from Canadian business. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; the inability of MediPharm to obtain adequate financing; the delay or failure to receive regulatory approvals; and other factors discussed in MediPharm's filings, available on the SEDAR website at www.sedar.com. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release. Except as required by law, MediPharm assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change.



Source: MediPharm Labs Corp.